

11044290087



MAY 17 2005
RECEIVED
FEDERAL ELECTION
COMMISSION
SECRETARIAT

2005 MAY 17 P 3 07

FEDERAL ELECTION COMMISSION
999 E Street, N.W.
Washington, D.C. 20463

FIRST GENERAL COUNSEL'S REPORT

SENSITIVE

MUR 5549
DATE COMPLAINT FILED September 28, 2004
DATE OF NOTIFICATION October 5, 2004
DATE ACTIVATED March 3, 2005

EXPIRATION OF STATUTE OF LIMITATIONS
September 7, 2009

COMPLAINANT

Mark Brewer

RESPONDENTS

Stephen Adams
Adams Outdoor Advertising, Inc

RELEVANT STATUTES AND
REGULATIONS

2 U S C § 431(17)
2 U S C § 441b(a)
2 U S C § 441(d)(a)(3)
11 C F R § 100 16(a)

INTERNAL REPORTS CHECKED

Disclosure Reports

FEDERAL AGENCIES CHECKED

None

MUR 5559
DATE COMPLAINT FILED October 8, 2004
DATE OF NOTIFICATION October 15, 2004
DATE ACTIVATED March 3, 2005

EXPIRATION OF STATUTE OF LIMITATIONS
September 7, 2009

COMPLAINANT

Dennis Baylor

RESPONDENTS

Stephen Adams
AOA Holding LLC

Adams Outdoor Advertising LP¹
Adams Outdoor Advertising, Inc

**RELEVANT STATUTES AND
REGULATIONS**

2 U S C § 431(17)
2 U S C § 441a(a)(1)(A)
2 U S C § 441b(a)
11 C F R § 100 16(a)

INTERNAL REPORTS CHECKED

Disclosure Reports

FEDERAL AGENCIES CHECKED

None

RAD REFERRAL 05L-11
DATE ACTIVATED March 22, 2005

EXPIRATION OF STATUTE OF LIMITATIONS
September 3, 2009

RESPONDENT

Stephen Adams

**RELEVANT STATUTES AND
REGULATIONS**

2 U S C § 434(g)(2)(A)
11 C F R § 100 19(d)
11 C F R § 100 112
11 C F R § 109 10(c)
11 C F R § 109 10(e)(1)(i)

INTERNAL REPORTS CHECKED

Disclosure Reports

FEDERAL AGENCIES CHECKED

None

I. INTRODUCTION

**RAD Referral 05L-11 and MURs 5549 and 5559 involve advertising expressly
advocating the re-election of President Bush that appeared on billboards owned or leased by**

¹ The complaint used the name of Adams Outdoor Advertising LLP. Minnesota Secretary of State records, however, indicate that Adams Outdoor Advertising LLP is a limited partnership rather than a limited liability (footnote continued on next page)

11044290088

business entities affiliated with Stephen Adams. According to FEC records, Adams filed a report of an independent expenditure on October 28, 2004, reflecting \$1 million in payment for the advertising. The RAD Referral alleges that this report was not filed timely. The MUR complaints allege that Adams did not personally pay for the advertising, but instead directed his affiliated business entities to absorb those costs, in violation of the prohibition on corporate expenditures or contributions. The complaint in MUR 5559 further alleges that if Adams did personally pay for the advertising, such payments would have exceeded his individual contribution limit. The complaint in MUR 5549 also alleges that the advertising on the billboards had inadequate disclaimers.

As discussed in more detail below, it appears that Adams made an individual independent expenditure, but failed to timely report it to the Commission. It also appears that the advertising originally contained incomplete disclaimers. Therefore, this Office recommends the Commission find reason to believe and enter into pre-probable cause conciliation with Adams regarding the reporting and disclaimer issues, and that the Commission find no reason to believe that Adams made an excessive personal contribution or that the other respondents made prohibited corporate contributions.

II. FACTS

A. The Billboards

Between September 7 and November 2, 2004, advertisements expressly advocating the reelection of President Bush appeared on billboards throughout Michigan, Pennsylvania, Wisconsin and South Carolina. Response at 9-10 and Attachments 6, 7, Aff. of Stephen Adams

personally, and as such the correct designation should be "LP" rather than "LLP."

11044290089

1 ("Adams Aff"), Nov 12, 2004, at ¶ 13, Aff of Randall Romig ("Romig Aff"), Nov 12, 2004,
2 at ¶¶ 18, 21-2. The advertising consisted of different displays of "catch phrase[s]" such as
3 "Defending Our Nation," "It's About Our National Security," "A Nation Secure," "One Nation
4 Under God," and "Boots Or Flip-Flops?" Response at 4 and Attachment 1 (emphasis in
5 original). These catch phrases "appeared in white type on a blue background immediately above
6 the campaign slogan 'BushCheney04' superimposed on the red and white stripes of the American
7 flag." *Id.* The advertising also originally carried a disclaimer that read, "Personal message paid
8 for and sponsored by Stephen Adams." *Id.* at 13-4.

9 According to the complaints in MURs 5549 and 5559, the billboards on which the
10 advertising appeared were owned or leased by business entities affiliated with Stephen Adams.
11 In his affidavit provided with the response, Adams admits that he owns AOA Holding Company,
12 which in turn has a 76% interest in Adams Outdoor Advertising Limited Partnership, of which
13 Adams Outdoor Advertising, Inc. is the managing general partner (collectively "AOA"). He also
14 admits that "on or about June 1, 2004," he "hired AOA to design and implement" the multi-state
15 outdoor advertising campaign in issue. Adams Aff. at ¶ 2.²

16 After Adams hired AOA, Randall Romig, AOA's Vice President for Real Estate, who
17 personally handled the advertising campaign, contacted Eric Rubin, an attorney whose law firm
18 is general counsel to the billboard industry's association, for legal advice regarding the proposed
19 advertising. In a letter to Romig from Rubin dated June 10, 2004 (Attachment 4 to the response),

² Adams also states in his affidavit that he is Chairman of the Board of Directors of AOA, "but that office is a position of oversight and I am not involved in the day-to-day operations of AOA." Adams Aff. at ¶ 3. Adams reportedly has numerous business interests other than AOA. *Id.* at ¶ 2. *School of Music get \$10 million*, Yale Bulletin & Calendar, Oct. 25–Nov. 1, 1999, at <http://www.yale.edu/bca/v28.n10/story1.html>; *History of AGI*, <http://www.affinitygroup.com/history1.cfm>. SEC filings in 2001 corroborate the information provided by Adams in his affidavit concerning the structure of AOA, and we have located no other public information to the contrary (footnote continued on next page).

11044290090

1 Rubin stated that pursuant to "Federal Election Laws," Adams would have to be personally
2 responsible for all direct and indirect costs associated with the Advertisements "without offset or
3 reimbursement by [AOA]" to avoid making any corporate contributions, and that such costs
4 should be calculated by AOA at the rate it "would normally charge advertisers for comparable
5 services." Further, the letter stated the advertising effort "must be truly an individual and
6 personal effort by [Adams] in complete isolation from any political organization," and
7 admonished Adams to avoid any communication or coordination with the Bush campaign or its
8 agents, even after the advertising commenced. Romig forwarded the Rubin letter to Adams with
9 an attached memorandum on or about June 19, 2004, Adams received it on or about June 21,
10 2004. Adams Aff. at ¶ 7, response at 6 and Attachment 4. Adams avers that he "strictly
11 followed Mr. Rubin's advice," including "no contact whatsoever with any federal candidate,
12 candidate's authorized committee, or their agents, or any political party or its agents with regard
13 to the advertising campaign." Adams Aff. at ¶¶ 10 and 11. *see also* Romig Aff. at ¶¶ 14, 15
14 (same affirmations).

15 According to Romig's affidavit, on July 6, 2004, he contacted attorney Rubin regarding
16 the need for a disclaimer on the advertising, and Rubin recommended the text "Personal message
17 Paid for and Sponsored by Stephen Adams," Romig forwarded this information via electronic
18 mail to employees responsible for producing the advertisements. Romig Aff. at ¶¶ 11-3, response
19 at 15 and Attachment 9.

20 According to affidavits, Adams gave AOA a budget of \$1 million for the advertising
21 campaign. Adams Aff. at ¶ 4, Romig Aff. at ¶ 17. He received several contracts from AOA.

1 between August 21 and August 27, 2004, which he signed and returned to Romig during the last
2 week of August, 2004³ Adams Aff at ¶ 12, Romig Aff at ¶ 21 A proposal dated July 23,
3 2004, reflected a "grand total" for the advertising campaign of \$977,448 00 Response at
4 Attachment 7, Adams Aff at ¶ 13, Romig Aff at ¶ 22 Adams avers he paid for the campaign
5 entirely from his personal funds, and he decided to overpay by \$22,552, "just to be on the safe
6 side," to make sure no AOA funds were used for any potential cost overruns Adams Aff at
7 ¶ 13, response at 11, Romig Aff at ¶¶ 20, 22 According to the response, "internal AOA
8 documents demonstrate conclusively that AOA charged Mr Adams the normal and usual charge
9 for the services it provided to Mr Adams in connection with the advertising campaign"⁴
10 Response at 12-3, see also Romig Aff at ¶¶ 16, 18-21 On September 7, 2004, the first day the
11 advertising was scheduled to commence, Adams wired \$1 million to AOA as payment for the
12 advertising campaign Adams Aff at ¶ 13, Romig Aff at ¶ 22, response at Attachment 8
13 Romig states he received a copy of the complaint in MUR 5549 on October 15, 2004
14 from AOA's registered agent and was "stunned" to read the allegations regarding the inadequate
15 disclaimers Romig Aff at ¶ 23 He immediately contacted Adams' personal attorney, who in
16 turn contacted Adams *Id* at ¶ 24, Adams Aff at ¶ 14, response at 19 "[T]ogether they sought
17 experienced HEC counsel," who informed them that the disclaimers were sufficient *Id*

³ Two of what appear to be such contracts from "Adams Outdoor Advertising of Lehigh Valley" were attached to the response as Attachment 6 One is a "Poster Display Contract" and the other is a "Bulletin Display Contract" These contracts were purportedly signed by AOA on August 26, 2004, but do not clearly show Adams' signature or the date he executed them These contracts, apparently provided as examples, were only for advertising in Pennsylvania totaling \$154,200

⁴ No such "internal AOA documents" were attached to the response, but there is no evidence indicating that AOA did not charge Adams the usual and normal rates for the advertising campaign While we do not have any price sheets from AOA, rough calculations and comparisons with average rates listed on www.bulletin-ads.com show a general correlation with the rates AOA charged Adams, with some differences that likely are attributable to the individual markets in which the billboards were displayed

11044290092

Specifically, they were told that the disclaimers failed to state that the advertising was not authorized by the Bush campaign and that they failed to contain contact information for Adams Romig Aff at ¶ 26, Adams Aff at ¶ 15 Adams states he instructed that "immediate action" be taken to post revised disclaimers "as soon as possible and, if at all possible, before election day " Adams Aff at ¶ 17 Revised disclaimers stating "Paid for by Stephen Adams and not authorized by any candidate or candidate's committee Contact adams@adamsoffice.net" were posted "[b]y November 2, 2004," at a cost to Adams of \$14,545 27 Romig Aff at ¶ 28, Adams Aff at ¶ 17, response at 16⁵

B Reporting

Adams filed an FEC Form 5 disclosing his \$1 million payment as an independent expenditure on October 28, 2004 According to the referral from the Commission's Reports Analysis Division ("RAD"), RAD sent a Request for Additional Information ("RFAI") to Adams on November 12, 2004, noting among other things, that Adams had failed to file notice of the expenditure for the advertising campaign within forty-eight hours of an expenditure aggregating \$10,000 or more⁶ 2 U S C § 434(g)(2)(A), 11 C F R §§ 100 19(d), 109 10(c)

On November 30, 2004, Adams' counsel responded to the RFAI by telephone and stated that Adams was given erroneous advice by previous counsel regarding filing an independent expenditure report and was not aware of the forty-eight hour filing requirement RAD instructed Adams' counsel to send a detailed written response to the RFAI concerning the expenditure On

⁵ No additional information regarding the exact date range of when the revised disclaimers were posted was indicated in the response or its attachments, nor did the response nor the attached documents make it clear whether the costs to correct the disclaimers were deducted from the overpayment for the Advertisements or if Adams paid for those costs in addition to the overpayment

⁶ As the FEC Form 5 listed Adams' employer and occupation as "self-employed," the RFAI also requested further information regarding Adams' employer and occupation

11044290093

December 8, 2004, RAD received correspondence from Adams' counsel addressing other issues in the RFAI, but failing to address the late filing of the independent expenditure report RAD left a telephone message for Adams' counsel regarding this issue on February 25, 2005, but has received no further communications regarding it

III. ANALYSIS

A. There Were No Violations Concerning Corporate Expenditures and Individual Contribution Limits

Based upon the available information, including sworn affidavits from Adams and Romig, and with no information to the contrary, it appears that AOA, acting as a vendor, charged Adams its "usual and normal" rates, *supra* n 4, and that Adams used only his personal funds for the advertising campaign Documents purporting to show a wire transfer on September 7, 2004 of \$1 million from Adams' bank account to AOA's bank accounts were attached to the response as Attachment 8 As noted previously, Adams claims not only to have personally paid the entire costs of the advertising campaign at the usual and customary rates, but to have deliberately overpaid for it by more than \$20,000 to ensure no AOA funds were used for any potential "unusual indirect costs" or overruns, and "to ensure that AOA did not inadvertently make an in-kind contribution to the Bush-Cheney '04 campaign " Response at 8-13 and Attachment 4, Adams Aff at ¶¶ 7-9, 13, Romig Aff at ¶¶ 7, 16, 20-22 Because AOA appears to have charged Adams its "usual and normal" charge, it does not appear to have made a corporate expenditure See 11 C F R § 100 111(e)(1) Accordingly, this Office recommends that the Commission find no reason to believe that Stephen Adams, Adams Outdoor Advertising, Inc , Adams Outdoor Advertising LP, or AOA Holding LLC violated 2 U S C

11044290094

§ 441b(a) by making or consenting to prohibited corporate expenditures, and close the file with respect to all of these respondents except Stephen Adams

Further, it appears that Adams made an "independent expenditure" in paying for the advertising campaign. 2 U S C § 431(17), 11 C F R § 100.16(a). Adams concedes there is no dispute that the advertising expressly advocated the reelection of President Bush. Response at 4. Both Adams personally, and Romig as the AOA employee principally responsible for implementing the advertising campaign, aver that the advertising campaign was designed and implemented "without any contact whatsoever" with any federal candidate, candidate's authorized committee or its agents, or any political party or its agents. Again, we have no information to the contrary. As limits on individual campaign contributions do not apply to independent expenditures, this Office recommends that the Commission find no reason to believe that Stephen Adams violated 2 U S C § 441a(a)(1)(A) by making excessive contributions. Due to the fact that MUR 5559 alleged only violations of 2 U S C §§ 441a(a)(1)(A) and 441b(a), this Office recommends that the MUR 5559 file be closed.

B Adams Failed to Timely File the Independent Expenditure Report

"A person that makes or contracts to make independent expenditures aggregating \$10,000 or more at any time up to and including the 20th day before the date of an election shall file a report describing the expenditures within 48 hours." 2 U S C § 434(g)(2)(A), 11 C F R § 109.10(c). The report must be made either on an FEC Form 5 or by signed statement if the person is not otherwise required to file electronically, and received by the Commission by "11:59 p.m. Eastern Standard/Daylight Time on the second day following the date on which a communication is publicly distributed or otherwise publicly disseminated." 11 C F R

11044290095

1 § 109 10(c) Assuming that the advertising campaign commenced as scheduled on September 7,
2 2004, *see Romig Aff* at ¶ 22, Adams was required to file his independent expenditure report
3 such that the Commission received it no later than 11 59 p m EST on September 9, 2004 Thus,
4 Adams' FEC Form 5 filing of his \$1 million expenditure on October 28, 2004 was more than
5 one-and-a-half months late Accordingly, this Office recommends this Office recommends that
6 the Commission find reason to believe that Stephen Adams violated 2 U S C § 434(g)(2)(A)

7 C The Advertisements Contained Inadequate Disclaimers

8 Disclaimers on communications paid for by independent expenditures are required and
9 must "clearly state the name and permanent street address, telephone number or World Wide
10 Web address of the person who paid for the communication" and that the communication was
11 not authorized by any candidate or committee 2 U S C § 441d(a)(3), 11 C F R § 109 11 The
12 response concedes that the advertising in question originally did not contain Adams' permanent
13 street address, telephone number or World Wide Web address and did not state that the
14 advertisements were not authorized by any candidate or candidate's committee Therefore, this
15 Office recommends that the Commission find reason to believe that Stephen Adams violated
16 2 U S C § 441d(a)(3)

11044290096

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20

11044290097


11044290098

IV. RECOMMENDATIONS

- 1 Open a MUR with respect to RAD 05L-11, and merge the new MUR into MUR 5549
- 2 Find reason to believe Stephen Adams violated 2 U S C § 434(g)(2)(A)
- 3 Find reason to believe Stephen Adams violated 2 U S C § 441d(a)(3)
- 4 Find no reason to believe Stephen Adams violated 2 U S C § 441a(a)(1)(A) or 2 U S C § 441b(a)
- 5 Find no reason to believe Adams Outdoor Advertising, Inc , Adams Outdoor Advertising, LP, or AOA Holding LLC violated 2 U S C § 441b(a), and close the file as to these respondents
- 6 Close the file in MUR 5559
- 7 Approve the attached Factual and Legal Analysis
- 8 Enter into conciliation with Stephen Adams prior to a finding of probable cause to believe
- 9 Approve the attached Conciliation Agreement with Stephen Adams
- 10 Approve the appropriate letters

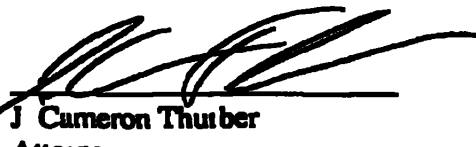
Lawrence H Norton
General Counsel

5/17/05
Date

BY 
Lawrence L. Calvert Jr
Deputy Associate General Counsel
for Enforcement

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17


Susan L. Lebeaux
Assistant General Counsel


J. Cameron Thurber
Attorney

11044290099